

Finance Committee Report to the 74th CWA Convention

CWA

**Communications Workers of America
April 22-23, 2013
Pittsburgh, Pennsylvania**

April 2013

Dear Sisters and Brothers:

Your Finance Committee met in Washington DC, on March 18 and 19, 2013 and again on April 19 through 21, 2013 to review and recommend suggestions on the 2013-2014 CWA Operating Budget. Every supporting document requested was made available to us. The committee also reviewed the Consolidated Financial Statements for the period that ended May 31, 2012, prepared by the Certified Public Accounting firm of Calibre CPA Group. The Auditors conducted their audit in accordance with generally accepted accounting principles. In the accountant's opinion, the financial statements presented fairly, in all material respects, the financial position of the Communications Workers of America, AFL-CIO, CLC as of May 31, 2012.

The Finance Committee carefully reviewed expenses paid out during the 10 months of the 2012-2013 fiscal year and would like to acknowledge the efforts of the districts, sectors and divisions who were able to stay within their administrative budgets. We also reviewed the expenses paid within those administrative units which were more than 1% over their budget allocations and were satisfied with each of the explanations. It is clear to the committee that difficult contract negotiations had a significant impact on expenses and applaud those administrative units that were able to keep expenses to within their allocations despite this challenge. The committee also recognizes the continued efforts that the national union has taken to try and help solidify our financial position through cost containment while maintaining necessary service to our membership.

The leasing of vacant space within the CWA national headquarters building in Washington, DC, as well as the refinancing of existing building loans, has resulted in \$2 million of building income that will contribute towards a balanced budget for 2012-2013. An additional \$500,000 of building income will be used for some building updates that will allow for a more aggressive campaign to lease the remaining 2% of vacant space as well as on floors currently occupied by CWA employees, which will result in increased future income.

The Finance Committee makes the following recommendations to further deal with our budgetary challenges:

- Steps taken by the Executive Board have improved the union's financial position, but we need to continue to closely monitor spending to ensure that our income forecasts match our cash flow and that our expenses do not exceed our income.
- Each administrative unit must keep their expenses within their generated dues income and budget allocations with further recognition of the need for all units to continue to contribute to the ongoing programs and administration of the national union.
- All locals must be in compliance with the CWA constitution and be current with their dues remittance obligations. The committee recommends that the

Secretary-Treasurer take steps that may be necessary to keep locals in compliance.

- Each administrative unit and local must continue to aggressively pursue organizing along with signing up pending agency fee payers and non-members, particularly those working in Telecom, Mobility, and the Public, Health and Education sectors. These efforts alone have a potential of generating close to \$5 million in revenue for locals and \$3 million for the national union.
- The Finance Committee supports the recommendations of the Defense Fund Oversight Committee to roll the Defense Fund into the Strategic Industry Fund and the funding of a new CWA Growth silo with investment earnings from the Members' Relief Fund. We believe these recommendations will help put us in better position to grow our union and build power to better face the ever increasing challenges that will continue to be before us.
- While we recognize and acknowledge the growing costs associated with negotiating collective bargaining agreements, we recommend that the CWA leadership, at all levels, review our process and develop ways whenever possible to minimize our expenses without diminishing our ability to achieve good agreements.
- Any administrative unit, whose expenses exceed more than 1% of their budget allocation, must provide a reasonable explanation for the cause of the overage to the Finance Committee and should be prepared to present that explanation to the convention delegates.

A balanced budget for the 2013-2014 fiscal year does not mean that our financial challenges no longer exist. Labor is continuously being attacked and organizing rights denied. We must put all efforts into movement building and continue to prepare ourselves in every way to face every challenge. The Finance Committee supports the CWA officers and Executive Board members' work to design roadmaps that can help get all of us there. We particularly applaud the following financial action items:

- The AFA-CWA for their renewed commitment at the 2013 board of directors meeting to contribute to our national programs.
- The creation of a task force that was created in 2012 to provide scenario planning in anticipation of potential further passage of right to work laws, loss of payroll deduction of union dues, and/or requirements to re-sign members each year.
- Continued discussions with locals on additional revenue generating ideas.

The 2013-2014 Finance Committee would like to thank President Larry Cohen, Secretary-Treasurer Annie Hill, Assistant to the Secretary-Treasurer Teri Pluta, and their staff for their time and effort in aiding the committee in the review, development and preparation of this year's report.

The committee also wishes to thank representatives in all CWA districts, national units and headquarters for their ongoing efforts to achieve the financial targets outlined in the 2013-2014 Budget. We respectfully request delegate approval.

In Solidarity,

Terri Senich, Executive Secretary-Treasurer, CWA Local 13500

Andreas Curlee, President, AFA-CWA Council 21

Lynn Johnson, President, CWA Local 9333

Dwayne Phillips, President, CWA Local 4400

**74th CWA CONVENTION REPORT OF THE
FINANCE COMMITTEE
APRIL 2013**

Explanation of CWA Funds

There are six funds, all of which were examined and reported on by independent auditors for the period ending May 31, 2012. A copy of the report has been reviewed by the Executive Board and committee and was sent to local presidents.

The Funds are:

1. General Fund
2. Defense Fund
3. Members' Relief Fund
4. Strategic Industry Fund
5. Building Fund
6. Pension Fund

General Fund

The General Fund is the fund from which the international operates. All the income money which comes to CWA is handled through the General Fund. The status of this fund is reported monthly to the Executive Board.

The General Fund contains what the auditors have identified as "unallocated receipts." Dues money received by CWA is labeled in this manner until the Secretary-Treasurer's Office can channel or allocate it. As an example: A dues check from an employer is received in the Secretary-Treasurer's office; it is immediately deposited in the General Fund as unallocated money. Upon processing the report that comes with the employer's check, checks are issued for the amount due the locals. Also, at this time, we transfer the proper amount to the Defense Fund and Members' Relief Fund or the Strategic Industry Fund. The international's portion remains in the General Fund, available for use by the international. The local amount is returned to the locals.

Defense Fund

The Defense Fund was established by the 1952 convention and began to operate in September of 1952. It has specific rules, adopted by the convention, which outline the ways it can be used.

Income to the Defense Fund is derived from membership dues and equivalent payers in the amount of \$.50 each month. Income is deposited in the Defense Fund account as dues reports are processed.

The Defense Fund is administered within the Defense Fund rules established by convention action.

The market value of the fund as of March 31, 2013 was \$11,584,000.

Robert Lilja Members' Relief Fund

The Robert Lilja Members' Relief Fund (RLMRF) was established by 1990 convention action. The purpose of the fund is relief for strikers, locked-out members, victims of collective bargaining strategies and other approved mobilization actions. The market value of the fund as of March 31, 2013 was \$444,787,000.

Income to the Robert Lilja Members' Relief Fund is derived from membership dues and equivalent payers in an amount equal to 0.15% per month of minimum dues (1/4 hour) of those eligible to strike. Income is deposited in the Members' Relief Fund account as dues reports are processed. Income and expenditures from the fund are reviewed by the Defense Fund Oversight Committee according to the rules established by convention action.

Effective September 1, 2006 all RLMRF contributions are credited to the Strategic Industry Fund unless the RLMRF fund balance falls below the 2006 convention established MRF floor. The RLMRF floor is \$377,484,108. If the RLMRF fund falls below the established floor, all contributions will revert back to the RLMRF until it reaches the established floor.

Strategic Industry Fund

The Strategic Industry Fund (SIF) was established by 2006 convention action to finance major large scale campaigns to increase our bargaining power.

The SIF is a restricted fund, requiring a majority vote of the Executive Board before expenditures are made. The market value of the fund as of March 31, 2013 was \$30,480,565.

Building Fund

By Executive Board action in January 2006, the Building Fund was established for the purpose of recording the assets, liabilities, expenses, and income associated with the headquarters building property. As of March 31, 2013, the market value of the fund's unrestricted net assets was \$54,636,249.

CWA Plan For Employees Pensions And Death Benefits Fund

This fund provides for CWA employees' retirement benefits. A periodic actuarial review is made of the CWA Pension and Death Benefit Trust Fund, and our contribution is adjusted to meet our obligations. As did many other pension plans, the plan's investments suffered losses as a result of the overall decline in the economy and the markets in 2008. Contributions to the plan were necessary in 2012 and will be likely again this year.

The CWA Pension Fund was established in 1951 as a separate trust. It is a defined benefit pension plan covering substantially all employees other than PPMWS employees. On January 1, 2006 the IUE Pension Plan was merged with the CWA Plan for Employees Pensions and Death Benefits.

On March 31, 2013, the market value of the plan was \$192,229,000.

Financial State Of The Union

This committee realizes that with ever increasing financial burdens and causes needing the union's attention, combined with a continued uncertain economy, we must continue to be

ever vigilant of cost overruns. This year, each administrative unit must operate not only within their authorized budget but also live within the dues income they generate as well as contribute to the ongoing programs and expenses of the union.

Salaries – Elected Officials and Non-Represented Employees

Each year, it is the committee's responsibility to recommend salary changes for our elected officials and non-represented employees. These wages have been frozen since January 2010. The Finance Committee recommends that a wage increase of not more than that allowed in the collective bargaining agreements with the employee unions be granted upon approval of the CWA President and Executive Board.

Staff Complement

The committee has funded only those staff positions that are now filled or have received approval to be filled at the time of this report. Requests to fill all staff positions must be made to the Budget Committee and authorized by the Executive Board.

The 2013 – 2014 Budget

The committee reviewed and considered the report of the Budget Committee as adopted by the Executive Board of the union. After thorough and detailed deliberations, this Finance Committee approves the following budget for the 2013-2014 budget year.

In calculating the projected income, the committee built this budget on an estimate of what our dues revenue will be for this fiscal year based on a projected 0.08% per month decline in membership and a 0.675% increase in per capita dues. Income of \$2 million from the national headquarters building was also included.

You will find that again in the 2013-2014 CWA operating budget, that the full AFA-CWA projected income (\$21,359,606) and budgeted expenses (\$21,359,606) is included in its entirety rather than only a portion, as in previous years. We agree, this method better reflects the AFA-CWA finances. Additionally, the AFA-CWA board of directors approved a contribution of \$3 per member per month, over expenses, towards the cost of the CWA National Program expenses. This contribution, projected as \$1,428,552, is included as income towards the 2013-2014 CWA operating budget. The Finance Committee appreciates the commitment approved and given by the AFA-CWA board of directors and their international officers.

The calculated estimate of overall income of the Union for the 2013-2014 CWA operating budget used is \$113,471,453.

As in the past, we recommend the Executive Board use this budget as a positive guide and make every effort to operate within the actual income of the union during the period represented by this budget.

Our approved budget follows as Exhibit A (Communications Workers of America – operating budget) and Exhibit B (administrative units budget).

A line-by-line explanation of each item in the budget may be found on pages 10-13.

**Communications Workers of America Balanced - Operating Budget
2013 - 2014**

		<u>2012 - 2013</u>	<u>2013 - 2014</u>	<u>2014 - 2015</u>
<u>Income</u>				
	Dues – Members and Agency Fee Payers	90,461,724	86,868,295	86,868,295
	HQ Building	2,500,000	2,000,000	2,000,000
	AFA Budget Projected Income	20,881,617	21,359,606	21,359,606
	AFA National Program Contributions	706,968	1,428,552	1,428,552
	SIF Distribution	5,900,000	-	-
	Other Income	1,400,000	1,815,000	1,815,000
	Total Income	121,850,309	113,471,453	113,471,453
<u>Expenses</u>				
<u>National Programs</u>				
029	Organizing Fund	5,100,000	5,100,000	5,100,000
030	Community Action	162,051	150,000	150,000
031	Legal Admin Unit Litigation & Misc.	700,000	600,000	600,000
032	Convention	892,015	550,000	550,000
034	Committees, Conferences & Ex Board Mtgs	400,000	400,000	400,000
038	Taxes	155,000	180,000	180,000
039	Affiliation Dues - AFL-CIO & Other	4,318,857	4,216,681	4,216,681
040	Contingency	1,258,272	937,577	937,577
043	Information Systems	855,000	750,000	750,000
045	Communications (CWA News & PR)	1,400,000	1,400,000	1,400,000
046	Professional Services	570,000	570,000	570,000
047	International	30,000	30,000	30,000
048	Education	210,000	210,000	210,000
061A	Retiree Benefits (Health Care, Insurance)	9,889,424	9,156,874	9,156,874
061B	Insurance – Other (Workers Comp., etc)	775,000	825,000	825,000
064	Staff Moves	150,000	150,000	150,000
066	Apprenticeship & Training	132,000	100,000	100,000
	Total General Budget	26,997,619	25,326,132	25,326,132
<u>Administrative Units</u>				
A1	Salaries - Officer & Staff	23,916,152	24,154,847	24,154,847
A2	Salaries - Full Time/Other	9,778,886	9,304,630	9,304,630
A3	Employee Benefits (Non-Pension)	9,100,481	8,364,869	8,364,869
A4	Employee Taxes	2,730,116	2,710,323	2,710,323
A5	Employee Pension	8,365,931	3,345,947	3,345,947
	AFA Budgeted Expenses	20,881,617	21,359,606	21,359,606
B1	Office Occupancy	6,412,636	6,249,814	6,249,814
B2	Staff Expenses	4,057,460	4,089,817	4,089,817
B3	Administrative Operations	4,743,385	4,513,073	4,513,073
B4	Legal	4,866,027	4,052,395	4,052,395
	Total Administrative Units	94,852,691	88,145,321	88,145,321
	Total Budgeted Expenses	121,850,310	113,471,453	113,471,453
	Total Income	121,850,309	113,471,453	113,471,453

Administrative Units Budget 2013 - 2014

District & National Units	<u>A-1</u>	<u>A-2</u>	<u>A-3 & A-5</u>	<u>A-4</u>	Total Personnel Expenses	<u>B-1</u>	<u>B-2</u>	<u>B-3</u>	<u>B-4</u>	Total Office Admin. Expenses	Total Admin Unit Expenses
	Salaries: O&S	Salaries: FT & Other	Emp Benefits: 37%	Emp Taxes: 8.1%		Office Occupancy	Staff Expenses	Administrative Operations	Legal		
District 1	3,404,018	756,443	1,456,161	336,997	5,953,620	970,011	528,510	857,544	1,844,125	4,200,190	10,153,810
District 2-13	1,664,692	422,559	730,538	169,067	2,986,857	311,482	255,960	236,088	397,650	1,201,180	4,188,037
District 3	2,323,461	555,149	1,007,513	233,167	4,119,290	232,486	329,860	333,324	257,550	1,153,220	5,272,510
District 4	1,623,583	423,411	716,448	165,807	2,929,249	272,106	256,520	262,259	119,750	910,635	3,839,884
District 6	1,611,923	415,180	709,486	164,195	2,900,784	355,061	255,960	264,056	593,500	1,468,577	4,369,361
District 7	1,855,357	466,026	812,484	188,032	3,321,899	184,312	280,780	217,846	128,950	811,888	4,133,787
District 9	1,766,896	466,912	781,833	180,938	3,196,578	510,478	264,420	279,453	150,000	1,204,351	4,400,929
T&T	770,925	159,823	325,762	75,391	1,331,900	159,575	116,620	50,367	26,000	352,562	1,684,462
Public Wkrs	269,920	60,802	115,753	26,789	473,264	63,798	51,920	32,347	-	148,065	621,329
PPMWS-CWA	314,476	60,802	131,347	30,398	537,023	43,908	68,380	31,852	79,600	223,739	760,762
IUE-CWA	3,423,495	355,990	1,322,820	306,244	5,408,549	40,112	706,640	279,405	72,670	1,098,827	6,507,376
TNG-CWA	1,014,019	227,071	434,381	100,528	1,775,999	161,005	205,997	112,577	266,350	745,929	2,521,928
NABET-CWA	733,914	99,020	291,527	67,468	1,191,929	127,569	141,950	101,150	116,250	486,919	1,678,848
Total	20,776,679	4,469,189	8,836,054	2,045,021	36,126,942	3,431,902	3,463,517	3,058,268	4,052,395	14,006,082	50,133,024
Headquarters	<u>3,378,168</u>	<u>4,835,442</u>	<u>2,874,763</u>	<u>665,302</u>	<u>11,753,675</u>	<u>2,817,913</u>	<u>626,300</u>	<u>1,454,804</u>	<u>600,000</u>	<u>5,499,017</u>	<u>17,252,692</u>
Grand Total	<u>24,154,847</u>	<u>9,304,630</u>	<u>11,710,817</u>	<u>2,710,323</u>	<u>47,880,617</u>	<u>6,249,814</u>	<u>4,089,817</u>	<u>4,513,073</u>	<u>4,652,395</u>	<u>19,505,099</u>	<u>67,385,716</u>
AFA*	*Projected Income = \$21,359,606										

Explanation Of National Programs
Exhibit A

Organizing (029)

We must continue our internal and external organizing efforts if CWA is to remain an effective organization. The salaries of permanent organizing coordinators are included in line item A1 of their administrative unit. All organizer expenses are charged to the organizing account.

Community Action (030)

This allocation allows CWA to respond to a small percentage of the worthwhile requests we receive from community and civic organizations, programs and activities dedicated to the welfare of all citizens.

CWA maintains membership in and serves on executive boards of a number of organizations. Fees associated with these activities are included in this budget allocation.

Legal Admin. Unit Litigation and Miscellaneous (031)

Our legal costs continue to be a significant part of our budget. A portion of these expenses are budgeted to the administrative unit section. This allocation is for the remainder of our legal expenses.

Convention (032)

This allocation includes funding for the biennial convention, including auditorium and meeting room rental and setup, printing of verbatim reports and other convention materials, postage, wages and expenses of convention committees.

Committees, Conferences & Executive Board Meetings (034)

Expenses associated with meetings of the union's Executive Board including travel expenses of Executive Board members and others required to be in attendance at such meetings. The cost, if any, of the meeting room is also included. The budget allocation also includes an allocation for committee meetings and conference expenses. The allocation does not cover expenses of attendees unless authorized by the President of the union.

Taxes (038)

This allocation is for taxes other than payroll related, such as the cost of district building taxes and personal property taxes.

Affiliation Dues (039)

This allocation is for the affiliation dues paid to organizations such as the AFL-CIO departments, UNI Global Union, IAPTA, International Metal Workers, International Federation of Journalists and others.

Contingency (040)

The purpose of this account is to provide for unexpected costs and expenses that are not known or cannot be budgeted to appropriate accounts at the time the budget is prepared.

Information Systems (043)

This budget item reflects the costs of office automation, communication networks, training, updating of equipment in the headquarters and district offices.

Communications (045)

This account includes the funding of the CWA News, which is mandated by Article XXV of the CWA constitution. The allocation includes the cost of printing and postage as well as for the union's publicity and public relations program which brings the story of the Communications Workers of America to the public through the mass media of radio, TV and newspaper.

Professional Services (046)

This budget item allocation reflects expenses for audit fees, and miscellaneous professional services such as accountants, actuaries and consultants, including those hired to support bargaining and contract negotiations.

International (047)

CWA is involved in the free world trade union movement. This budget allocation funds activities with our labor colleagues from a number of countries.

Education (048)

This budget account allocation is for the expense of weeklong leadership conferences, and the development and delivery of training programs.

Retiree Benefits (061A)

The allocation to this account is for the general insurance policies of the union, which include group healthcare, pharmaceutical, vision, dental and life insurance for retirees. Employee healthcare expense is reflected in the administrative unit budgets – Line A3.

Insurance – Other (061B)

The allocation to this account is for insurance other than employee healthcare and automobile.

Staff Moves (064)

This allocation is for the costs associated with relocating staff.

Apprenticeship & Training (066)

The budget allocation is for existing apprenticeship & training activities and new programs which may be implemented in this budget year.

Total National Programs - Total of budget accounts 029 through 066.

Total Administrative Units - Total of A1 through B4.

Total Budgeted Expenses - Total of national programs and administrative units.

Explanation Of Administrative Unit Budget
Exhibit B

Budget Line A1-A4 & B1-B4 Formula Applications

To determine certain allocations, the budget was based on February 2013 per capita counts.

A1 Salaries – Officers and Staff

Reflects annual salary cost for administrative unit officers, staff and professional employees. The following chart indicates the officer’s salaries:

POSITION	SALARY
PRESIDENT	\$186,615
SECRETARY-TREASURER	\$167,101
DISTRICT VICE PRESIDENTS, TNG-CWA VICE PRESIDENT, NABET-CWA VICE PRESIDENT, IUE-CWA VICE PRESIDENT, T&T VICE PRESIDENT AND PUBLIC WORKERS VICE PRESIDENT	\$145,724
AFA-CWA VICE PRESIDENT	\$105,283
PPMWS EXECUTIVE OFFICER	\$120,000

A2 Salaries Full Time and Other

Reflects annual salary cost for administrative unit full-time clerical employees and supervisors.

A3/A5 Employee Benefits

Reflects an allocation of 35% of administrative unit salaries. The allocation includes medical, dental, vision, life insurance, and 401(k) match, plus sufficient funds to meet the pension plan fund commitment.

A4 Employee Taxes

Each administrative unit was allocated 8.1% of administrative unit salaries for employee tax expense.

B1 Office Occupancy

Each administrative unit allocation includes known increases that could be determined. Figures include projected common area maintenance and rent increases projected at 2% for the 2013-2014 budget year.

B2 Staff Expenses

Reflects funds allocated for staff travel, auto, and communication expenses.

B3 Administrative Operations

This line includes expenses for the following items: part-time salaries and expenses, supplies and printing, postage and freight, rental and maintenance of equipment, contract services, electronic communications and all other operating expenses.

B4 Legal

This includes each administrative unit's allocation for expenses such as retained counsel, arbitration, and arbitration cancellation fees.

Concluding Remarks

A declining membership within a number of our represented employers reinforces the need for organizing new workers as the key to our future. We must grow our union out of the financial constraints we are living in. Everyone must continue to do all we can do to balance all sides of the CWA triangle while being financially responsible at the same time.

The CWA Convention Finance Committee will be meeting in 2014 to review the finances and make adjustments to the proposed 2014-2015 operating budget as necessary.

A Biennial Finance Committee Report will be subsequently sent to delegates.